



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
February 17, 2005

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**STATE TREASURER PHIL ANGELIDES, ASSEMBLY MAJORITY
LEADER DARIO FROMMER, JOINED BY COLLEGE STUDENTS
AND EDUCATION EXPERTS, ANNOUNCE LEGISLATION
TO EXPAND COLLEGE OPPORTUNITIES**

*Sweeping Reform of State's Mismanaged Real Estate Assets will Generate Funds
for California Hope Endowment to Help More Students Attend College*

SACRAMENTO, CA – California State Treasurer Phil Angelides and Assembly Majority Leader Dario Frommer (D-Los Angeles) – joined by UC Davis and CSU Sacramento students and noted education expert and former State Senator Gary Hart, today unveiled legislation that will help more young Californians go to college by transforming the State's poorly managed real estate assets into a \$5 billion-plus "California Hope Endowment" for higher education. AB 593, sponsored by Angelides and authored by Frommer, will create the seventh largest higher education endowment in the nation, providing more than \$2 billion in funding over the next 10 years for initiatives to increase college opportunities.

"Today, with college tuition rising sharply and funding for college preparatory programs under threat in both the state and federal budgets, young Californians face increasing challenges to prepare for and pay for college," Angelides said at a news conference today. "With the California Hope Endowment, the dream of college will come true for more Californians."

The two state officials pointed out that even as the Governor has proposed a budget that relies on borrowing and puts critical investments on the chopping block, the California Hope Endowment offers an innovative solution to use the State's existing resources to expand opportunities for the next generation at the very time California must train its young people to compete for high-wage, high-skill jobs in an increasingly global economy. Under AB 593, introduced today, the State will convert billions of dollars in mismanaged real estate assets, which currently generate no financial returns for taxpayers, into an endowment for higher education, putting these assets to work to create a stream of funding that will help disadvantaged students go to college.

"While Governor Schwarzenegger's budget shortfall jeopardizes California's higher education system, we have failed to maximize one of our greatest assets: our vast portfolio of state-owned property," Frommer said. "The California Hope Endowment will put that asset to work, earning revenues so we can help more Californians achieve their dream of earning a college degree."

AB 593 will shift approximately \$5 billion in state-owned real estate managed by the Department of General Services to a public trust corporation – the CalHope Trust – which will be managed like a business to earn returns for the Endowment. The Endowment, in turn, will use these funds to bolster opportunities for students at the State's world-class higher education system – the University of California (UC), California State University (CSU), and California Community Colleges – through innovative approaches that could include funding college scholarships, outreach and college preparatory programs for students, and also more challenging academic programs at the high school level. The Endowment's revenue – estimated to be as much as \$300 million annually after start-up – will provide financial resources over and above the amount that the State currently spends on higher education, including the amounts that Governor Schwarzenegger promised in compacts he agreed to last year with the UC and CSU.

After its start-up, the Endowment's projected \$300 million in annual revenue will provide enough money, for example, to double the amount California now spends, from all sources, on outreach and academic preparation for disadvantaged students. Used as financial aid, the Endowment's annual revenues will be enough to provide a full-fee scholarship to 385,000 full-time community college students, or give a scholarship for fees and all other costs to 19,000 CSU students.

The proposal comes at a time when the Governor's budget for the current 2004-05 fiscal year includes enrollment cuts, reductions in course offerings and student fee hikes at the UC, CSU and community college systems. It also comes at a time when California ranks only 25th among the states in the percentage of ninth graders who achieve a college degree by age 24. And it follows a recent report from the National Center for Public Policy and Higher Education, which said, "California's historically strong performance in enrolling students in college-level education and providing affordable educational opportunities may be at risk."

Gary Hart, a former State Education Secretary, former California State Senator and the founder of the California State University Institute for Education Reform, offered his support for AB 593 at today's news conference. "For many decades, California's higher education system – once looked to as a model for the nation – has promised every California student the ability to meet his or her full potential," Hart said. "With this dream fading for so many, as public investment shrivels and costs soar out of reach for many families, this new Endowment provides renewed hope to many California students."

State Treasurer Angelides and Assemblymember Frommer noted that at a time when higher education matters more than ever to the State's future, California's fiscal woes present serious challenges to maintaining the State's traditional commitment to higher education: the State faces an on-going structural budget deficit, and higher education is one of the few major areas of the budget not protected by constitutional guarantees or federal law.

"The California Hope Endowment is a 21st Century land grant for California Higher Education," said Angelides, likening it to the 19th Century federal land grants that President Abraham Lincoln and Congress enacted to provide seed money to build public

colleges, including the University of California. “If California is to maintain its position at the forefront of the world economy,” the Treasurer added, “we must again use a piece of our wealth – the State’s mismanaged real estate assets – to endow the dreams of the young people who will be the teachers, engineers, scientists and business people California will need to prosper in the decades ahead.”

To that end, Treasurer Angelides said, now is the right time to put a portion of the State’s real estate assets – including offices, industrial buildings, warehouses, and non-environmentally sensitive urban land clearly appropriate for development – to work to fund higher education opportunities. The State’s current management of its real estate assets is widely decried as inefficient and costly. The Treasurer today pointed out two examples of State properties that could be better managed to bring returns to the Endowment. The San Francisco office of the Department of Motor Vehicles is a property that currently brings no income to the State, but could be worth as much as \$25 million in returns if developed as a mixed use housing and retail project. Another example is the State’s proposed West End complex in Sacramento, a group of state office buildings just west of the Capitol. This site could be developed as a major urban mixed-use project, meeting the State’s office needs but also creating more than \$200 million in returns to build higher education opportunities.

For a complete copy of the California Hope Endowment proposal, “The California Hope Endowment: A 21st Century Land Grant for California Higher Education,” please visit the Treasurer’s website: www.treasurer.ca.gov.

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